

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 FAA-00 SS-15 NSC-05 L-03 H-02

PA-01 PRS-01 USIA-06 /062 W
----- 016190

R 011935Z JUL 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1140

INFO USMISSION USBERLIN

AMEMBASSY PARIS

AMEMBASSY LONDON

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E.O. 11652: N/A

TAGS: EAIR, WB, UK, US, FR, GW

SUBJECT: AEROAMERICA APPLIES TO OPERATE SCHEDULED
SAARBRUECKEN SERVICE

REF: BONN 17156, 10-31-74

1. SUMMARY: AEROAMERICA HAS APPLIED TO INTRODUCE A SCHEDULED BERLIN/SAARBRUECKEN SERVICE BEGINNING NOV. 1. PAA HAS ALREADY INDICATED ITS OBJECTIONS TO THE PROPOSAL AND WE SUSPECT THE BRITISH WILL BE SIMILARLY NEGATIVE. OUR INITIAL REACTION IS THAT IT WOULD BE ADVISABLE TO POSTPONE CONSIDERATION OF THIS PROPOSAL UNTIL AEROAMERICA'S PERFORMANCE DURING THE SUMMER CHARTER SEASON HAS BEEN EVALUATED AND CAA CONCURRENCE IN THE CARRIER'S CONTINUED OPERATIONS HAS BEEN RESOLVED. OTHER FACTORS SUGGESTING POSTPONEMENT INCLUDE AEROAMERICA'S CERTIFICATION AND THE PRESENT DOWNWARD TREND IN IGS TRAFFIC VOLUME. ACTION REQUESTED: DEPARTMENT'S VIEWS.

2. EMBASSY HAS RECEIVED A LETTER FROM AEROAMERICA
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APPLYING TO RE-INTRODUCE A SCHEDULED BERLIN/SAARBRUECKEN

SERVICE TO BEGIN ON NOVEMBER 1, 1975. THE PROPOSED SERVICE WOULD INVOLVE TWO ROUND-TRIP FLIGHTS DAILY MONDAY THROUGH FRIDAY AND ONE ROUND-TRIP EACH ON SATURDAY AND SUNDAY. AEROAMERICA WOULD OPERATE ONE FAIRCHILD F-27 TURBO PROP AIRCRAFT CONFIGURED FOR 44 PASSENGERS ON THE SERVICE. WE UNDERSTAND THE AIRCRAFT WILL BE ACQUIRED SPECIFICALLY FOR THIS OPERATION.

3. DURING A RECENT CALL AT THE EMBASSY AEROAMERICA'S EUROPEAN GENERAL MANAGER MATHUS ARGUED THAT THE PRESENT ROUTING OF SAARBRUECKEN PASSENGERS VIA FRANKFURT OR DUSSELDORF WAS NOT ADEQUATELY MEETING MARKET DEMAND. MOREOVER, THE CONNECTING SERVICE ARRANGEMENT RESULTS IN A CONSIDERABLY HIGHER FARE THAN WOULD BE THE CASE IF A DIRECT SERVICE TO BERLIN WERE AVAILABLE. MATHUS SAID THAT MODERN AIR'S TWO FAILURES TO MAINTAIN A VIABLE SAARBRUECKEN SCHEDULED SERVICE RESULTED FROM USE OF THE WRONG EQUIPMENT FOR THE MARKET - INITIALLY A HANSA JET WHICH WAS TOO SMALL, AND MOST RECENTLY THE CONVAIR 990, WHICH WAS CLEARLY TOO LARGE, PARTICULARLY IN THE LIGHT OF INCREASED FUEL COSTS SINCE 1973. AEROAMERICA WAS CONVINCED, HOWEVER, THAT THE FAIRCHILD WAS THE OPTIMUM AIRCRAFT FOR THE MARKET.

4. THERE HAVE BEEN SEVERAL ARTICLES REPORTING AEROAMERICA'S PROPOSAL IN THE BERLIN PRESS WHICH HAVE ATTRACTED SOME ATTENTION. ALTHOUGH WE HAVE NOT RAISED IT, PAA DIRECTOR RUNNETTE HAS ALREADY INDICATED HIS STRONG OBJECTION TO AEROAMERICA'S APPLICATION, STATING THAT THE SERVICE WOULD LOSE PAA BUSINESS AT FRANKFURT. HE HAS ALREADY INDICATED HIS INTENTION TO PROVIDE US WITH AN "UNSOLICITED" LETTER DETAILING THE DAMAGE HE BELIEVES WOULD OCCUR. DESPITE THE PRESS COVERAGE, WE HAVE NOT HAD ANY REACTION FROM THE BRITISH - A FACT WHICH MAY WELL BE DUE TO THE UK CAA'S ABSENCE FROM BONN ON LEAVE.

5. APART FROM PAA'S PREDICTABLE CONCERN, WE SEE SEVERAL OTHER PROBLEMS ASSOCIATED WITH AEROAMERICA'S PROPOSAL. THE DEPARTMENT WILL RECALL THAT WHEN WE GAINED RELUCTANT LIMITED OFFICIAL USE

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BRITISH CONCURRENCE IN AEROAMERICA'S ENTRANCE INTO THE BERLIN MARKET, IT WAS AGREED THAT:

A. OUR INITIAL AUTHORIZATION WOULD COVER ONLY THE '75 SUMMER, IT SEASON - I.E. THROUGH NOVEMBER 1 - AFTER WHICH THE CAA'S WOULD REVIEW THE AIRLINES PERFORMANCE BEFORE AUTHORIZING ANY ADDITIONAL OPERATIONS.

B. DURING THE SUMMER '75 SEASON AEROAMERICA'S ACTIVITIES WOULD BE LIMITED TO CHARTER ACTIVITIES. THE AIRLINE'S

CHOICE OF A NOVEMBER 1 STARTING DATE IS, OF COURSE, CONSISTENT WITH THESE CONDITIONS. HOWEVER, WE THINK AERO-AMERICA'S PROPOSAL FOR A SCHEDULED SERVICE COULD COMPLICATE OUR EFFORTS TO GAIN BRITISH CONCURRENCE IN THE CARRIER'S CONTINUED OPERATIONS IN BERLIN. GIVEN THE CONTINUED DOWNWARD TREND IN SCHEDULED TRAFFIC VOLUME AND

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OUR LACK OF EXPERIENCE WITH THE ROUTE SWAP, WE EXPECT THE BRITISH TO TAKE A NEGATIVE VIEW OF AEROAMERICA'S APPLICATION.

6. AEROAMERICA'S PERFORMANCE SINCE APRIL HAS BEEN EXEMPLARY; HOWEVER, WE ARE JUST ENTERING THE PEAK VACATION SEASON AND IT REMAINS TO BE SEEN HOW THE CARRIER OPERATES UNDER THE PRESSURE OF A TIGHT CHARTER SCHEDULE. MOREOVER, WE ARE UNABLE TO ASSESS THE VALIDITY OF PAA'S REPEATED ALLEGATIONS THAT AEROAMERICA IS NOT OPERATING AN ECONOMICALLY VIABLE SERVICE. ANOTHER FACTOR IS AEROAMERICA'S LACK OF CAB CERTIFICATION (WE UNDERSTAND THE

MODERN AIR PURCHASE ARRANGEMENT IS STILL PENDING).
WE ARE SOMEWHAT RELUCTANT TO SUPPORT THE INTRODUCTION
OF A SCHEDULED SERVICE BY A CARRIER STILL UNABLE TO
QUALIFY UNDER THE CAB'S ECONOMIC REQUIREMENTS FOR
CERTIFICATION AS A FULL-FLEDGED US SUPPLEMENTAL CARRIER.

7. ALTHOUGH WE SEE SOME MERIT IN AEROAMERICA'S ARGUE-
MENTS ON THE DISADVANTAGES OF THE PRESENT ARRANGEMENTS
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FOR SAARBRUECKEN ORIGIN PASSENGERS, WE SEE NOTHING IN
MODERN AIR'S AND PAA'S EXPERIENCE TO SUGGEST THE SERVICE
WOULD BE COMMERCIALY VIABLE. EVEN IF PASSENGER VOLUME
MET THE F-27'S BREAK-EVEN LEVEL, WE DOUBT AIRCRAFT
UTILIZATION WOULD BE SUFFICIENT TO JUSTIFY THE ACQUIS-
ITION OF THE AIRCRAFT SOLELY FOR THIS OPERATION.
OUR PRELIMINARY THINKING LEANS TOWARD POSTPONING CON-
SIDERATION OF AEROAMERICA'S APPLICATION UNTIL WE HAVE
A. HAD AN OPPORTUNITY TO EVALUATE THE CARRIER'S SUMMER
PERFORMANCE, B. GAINED CAA CONCURRENCE IN AEROAMERICA'S
CONTINUED PRESENCE IN THE BERLIN CHARTER MARKET,
C. REVIEWED AT LEAST SEVERAL MONTH'S EXPERIENCE WITH THE
ROUTE DIVISION. WE WOULD BE INCLINED TO RE-OPEN THE
MATTER, IF APPROPRIATE, EARLY IN 1976 BY WHICH TIME THE
QUESTION OF AEROAMERICA'S CAB CERTIFICATION MAY ALSO BE
RESOLVED. ACTION REQUESTED: DEPARTMENT'S VIEWS.
HILLENBRAND

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